



Credit Requirements for Power Purchase Agreements

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California Energy Commission Workshop

June 27, 2006



Defining Credit Risk

- Possible loss associated with counterparty default

Types of Credit Risk

- **Payment risk**
- **Performance risk**

Performance Risk

- **Contract replacement**
- **Market conditions**

Mitigating Performance Risk

- Collateral
- Contract terms and conditions

Collateral

- Offer deposit
- Security during construction period
- Security during operations

Offer Deposit

- Risk: unreliable offer
- Mitigation: deposits upon reaching milestones for selection and approval

Security During Construction Period

- Risk: delay or failure to complete
- Mitigation: delay damages

Security During Operations

- **Risk: contract breach**
- **Mitigation: posting of collateral**
 - Mark-to-market posting
 - Revenue-based posting

Contract Terms and Conditions

- **Termination**
 - Pre Commercial Operations Date
 - Post Commercial Operations Date